

Idaho's Endowment Trusts

When Idaho became a state in 1890, the Admission's Act granted the new state about 3 million acres of federal lands for public school support (sections 16 and 36 of every township) and another 650 thousand acres for support of eight other endowment beneficiaries. The State Constitution placed the management of these lands into the hands of the five-member State Board of Land Commissioners composed of the Governor, Secretary of State, Attorney General, State Controller, and Superintendent of Public Instruction. The Constitution gave the State Treasurer the responsibility for management of the financial assets generated by the endowment lands.

In 1905, the Legislature created the Department of Lands to support the Land Board. Over the years the board sold and exchanged properties so that about 2.1 million acres of public school endowment lands remain and about 350,000 acres of the other eight beneficiaries land remain. In addition to land sales and mineral revenue, the Land Board chose to deposit timber sale revenue into the permanent endowment. It chose to place lease revenues into the income funds for annual distribution along with the earnings from the permanent funds.

In 1969 the Legislature voiced its desire to improve the performance of the State Treasurer by creating an Endowment Fund Investment Board (EFIB) with powers to invest the financial trusts.

| Institution | Idaho Land Grants | Remaining Acres 10/04 | Percent Remain | Percent of Total |
|-------------------------|--------------------------|------------------------------|-----------------------|-------------------------|
| Public Schools | 2,982,683 | 2,092,494 | 70.2% | 85.0% |
| Agricultural College | 90,000 | 33,467 | 37.2% | 1.4% |
| Charitable Institutions | 150,000 | 78,188 | 52.1% | 3.2% |
| Normal School | 100,000 | 59,540 | 59.5% | 2.4% |
| Penitentiary | 50,000 | 29,024 | 58.0% | 1.2% |
| School of Science | 100,000 | 75,397 | 75.4% | 3.1% |
| Mental Hospital | 50,000 | 31,122 | 62.2% | 1.3% |
| University of Idaho* | 96,080 | 55,860 | 58.1% | 2.3% |
| Capitol Endowment | 32,000 | 7,222 | 22.6% | 0.3% |
| Total | 3,650,763 | 2,462,314 | 67.4% | 100.0% |

* Includes 46,080 acres granted Feb 18, 1881 to University of Idaho

- ◆ Pubic school endowment lands comprise 85% of the total endowment lands.
- ◆ Nearly 70% of original or exchanged endowment lands remain.

Source: Idaho Department of Lands

Endowment Distributions

Four pieces of legislation, the final piece effective July 1, 2000, became the latest "Endowment Reform". Changes to the state constitution allowed the EFIB to invest in the stock market, authorized a land bank, and allowed for payment of administrative costs from earnings. Statutory changes put control of the EFIB under the Land Board, established an earnings reserve fund as the mechanism to distribute earnings, put timber sale revenues into the earnings reserve, and gave the Land Board the power to determine the amount of distributions to the beneficiaries. Separate legislation for the Capitol Endowment did not include an earnings reserve fund.

Fiscal year 2001 was the first full-year after reform. Although the distributions rose to an all-time high of \$69.6 million in FY 2002, a combination of market losses and a change by the Land Board in the spending rule resulted in significant reductions to the beneficiaries in FY 2003 through FY 2006. Further complications arose when distributions to the Ag College and Charitable Institutions were halted half way through FY 2005. The legislature's approach was a double fund shift to reduce the impact on the beneficiaries.

Endowment Distributions to the Beneficiaries (\$ millions)

| Institution | 2001 | 2002 | 2003 | 2004 | 2005 | Appr. |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | | | | 2006 |
| Public Schools | \$44.7 | \$47.7 | \$37.1 | \$37.8 | \$23.0 | \$23.1 |
| Agricultural College (U I) | 1.1 | 1.3 | 1.1 | 1.0 | .4 | (2.1) |
| Charitable Institutions | | | | | | |
| Idaho State University | 1.2 | 1.2 | 1.1 | .9 | .4 | (.7) |
| St. Juvenile Corr Ctr. | 1.2 | 1.2 | 1.1 | .9 | .4 | (.7) |
| State Hospital North | 1.2 | 1.2 | 1.1 | .9 | .4 | (.7) |
| Veterans Home | .8 | .8 | .7 | .6 | .2 | (.4) |
| School for Deaf/Blind | .2 | .2 | .1 | .1 | .0 | (.1) |
| Normal School | | | | | | |
| ISU College of Ed | 1.9 | 2.0 | 1.8 | 1.6 | 1.5 | 1.6 |
| Lewis-Clark State Col. | 1.9 | 2.0 | 1.8 | 1.6 | 1.5 | 1.6 |
| Penitentiary | 1.5 | 1.6 | 1.4 | 1.2 | 1.5 | 2.4 |
| School of Science (Uof I) | 4.5 | 4.7 | 4.3 | 3.8 | 3.1 | 2.8 |
| Mental Hospital (South) | 1.8 | 2.0 | 1.9 | 1.7 | 1.9 | 5.3 |
| University of Idaho | 3.5 | 3.6 | 3.5 | 3.1 | 3.2 | 3.5 |
| Total | \$65.5 | \$69.6 | \$57.0 | \$55.1 | \$37.4 | \$35.7 |

- ◆ The actual FY 2003 distribution to public schools of \$37,056,500 was \$6,256,500 short of the appropriation.
- ◆ For FY 2005 and FY 2006, the legislature shifted General Fund support and increased distributions to the healthy endowments.